

## Message Text

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E.O. 11652: N/A  
TAGS: BEXP IT  
SUBJECT: SEPT FLUID POWER EXHIBITION

REF: A) STATE 5476; B) USDOC 0876; C) MILAN'S A-9, FEB 8, 1974  
MILAN'S A-172, DEC. 15, 1971

1. INTERVIEW HELD FEBRUARY 28 WITH MASSA, SECRETARY GENERAL, ASSOFLUID (ASSOCIATION FOR HYDRAULIC AND PNEUMATIC POWER EQUIPMENT) AT WHICH FOLLOWING STATISTICS FOR HYDRAULIC SECTOR OBTAINED; PNEUMATIC STATISTICS STILL UNAVAILABLE.  
ORDERS IN HAND FOR NEW EQUIPMENT: AVERAGE QUARTER 1973, (AVERAGE QUARTER REPORTED BY ASSOFLUID IS FULL YEAR SALES DIVIDED BY 4)  
DOMESTIC ORDERS: 90.46 MILLION US DOLLARS;  
FOREIGN ORDERS: 11.74 MILLION US DOLLARS;  
ORDERS IN HAND FOR NEW EQUIPMENT: FIRST QUARTER 1971,  
DOMESTIC ORDERS: 120.66 MILLION US DOLLARS, UP 33 0/0 FROM 1973 AVERAGE.  
FOREIGN ORDERS: 14.72 MILLION US DOLLARS, UP 25 0/0 FROM 1973 AVERAGE.  
IMPORTS: AVERAGE QUARTER, 1973, 19.47 MILLION US DOLLARS; FIRST QUARTER, 1974, 25.57 MILLION US DOLLARS, UP 31 0/0.  
EXPORTS: AVERAGE QUARTER, 1973, 11.63 MILLION US DOLLARS; FIRST QUARTER, 1974, 14.72 MILLION US DOLLARS, UP 26 0/0.

2. OUR CONVERSATION WITH MASSA, AND WITH OTHERS IN FLUID POWER SECTOR INDICATE SOME INFORMATION CONTAINED IN MAURER REPORT OF DECEMBER 1973, STILL VALID. THIS INCLUDE IDENTIFICATION OF HIGH  
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SALES POTENTIAL ITEMS, PROFILE OF ITALIAN INDUSTRY, AND LONG-TERM

PROSPECTS. HOWEVER, STUDY WAS CONDUCTED IN PERIOD OF EXPANSION FOR FLUID POWER SECTOR, AS SHOWN IN STATISTICS IN PARA 1 ABOVE. SINCE FIRST QUARTER, 1974, FLUID PWER INDUSTRY HAS SUFFERED FROM GENERAL DOWNTURN OF ITALIAN ECONOMY IN WAKE OF 1973-1974 INFLATION OF LABOR, MATERIAL AND ENERGY COSTS, WHICH HAS RESULTED IN FEWER ORDERS FOR FLUID POWER EQUIPMENT FROM WIDE RANGE OF ITALIAN INDUSTRIES ESPECIALLY THE CONSTRUCTION AND MACHINE TOOL INDUSTRY. ASSOFLUID ESTIMATES ORDERS DOWN 12 0/0 FROM 1973 AVERAGE, WHILE LABOR COSTS UP 55 0/0, MATERIAL COSTS UP 35 0/0, AND ENERGY COSTS UP 10 0/0. IN PARTICULAR, PNEUMATIC SECTOR HAS SUFFERED THE GREATEST DROP IN SALES.

3. OUTLOOK FOR US IMPORT SALES IN FLUID POWER SECTOR, BASED ON ABOVE, APPEARS TO BE THE OPPOSITE OF THE STRONG PERFORMANCE PREDICTED BY THE MAURER REPORT. REACT ON TO PROSPECTIVE FLUID POWER EXHIBITION BY INTERVIEWED BUSINESS SOURCES HAS BEEN PESSIMISTIC. MASSA OF ASSOFLUID STATED THAT ANY SHOW HELD THIS YEAR WOULD NOT PRODUCE RESULTS AS SATISFACTORY AS PREVIOUS SHOWS. PREVIOUS SHOWS HELD IN FLUID POWER WERE JEEP, IN NOVEMBER, 1973 (REF C), AND FULL MTC SHOW IN NOVEMBER, 1971 (REF D). JEEP RESULTED IN PROJECTED 12 MONTHS SALES OF \$1,071,000 AND 1971 SHOW IN PROJECTED SALES OF \$1,951,600. CONFIRMED SALES OF 1971 SHOW WERE \$369,000.

4. THE POST BELIEVES THAT THE RAPID DOWNTURN IN THE FLUID POWER SECTOR IN 1974-75 MAKES ADVISABLE FURTHER STUDY OF EFFECTS OF CURRENT MARKET CONDITIONS ON PROCUREMENT OF SEPTEMBER SHOW. POST WILL CONDUST POLL OF POTENTIAL LOCAL EXHIBITORS TO DETERMINE THEIR INTEREST IN SUBMECT SHOW. RESULTS WILL BE FORWARDED TO USDOC AS SOON AS POSSIBLE.GOOLD

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